

SENATE BILL REPORT

SB 5662

As Reported By Senate Committee On:
Consumer Protection & Housing, February 20, 2007

Title: An act relating to charitable organizations that solicit contributions from the public.

Brief Description: Regulating charitable organizations that solicit contributions from the public.

Sponsors: Senators Weinstein, Honeyford, McCaslin, Delvin, Tom, Kline, Keiser, Shin and Rasmussen; by request of Secretary of State.

Brief History:

Committee Activity: Consumer Protection & Housing: 2/08/07, 2/20/07 [DPS-WM].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: That Substitute Senate Bill No. 5662 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Vanessa Firnhaber-Baker (786-7471)

Background: Under the Charitable Solicitations Act (CSA), the charities program division in the Secretary of State's office registers organizations that solicit money from the public for charitable purposes. The division also makes general information about charitable organizations operating within Washington available to the public.

Summary of Bill: The bill as referred to committee not considered.

Summary of Proposed Substitute as Heard in Committee (Consumer Protection & Housing): The purpose of the CSA is broadened to include improving the accountability of charitable organizations and developing educational programs for charitable organizations and the public to increase public trust in charities.

Definitions within the CSA are amended to clarify the intent of the act.

The following changes are made to the registration requirements: (1) consolidated filings are repealed. A so-called parent charitable organization cannot file on behalf of its affiliates; each organization must register separately; (2) commercial fundraisers no longer must include a list of every state where they performed fundraising; (3) registration with the Secretary of State is not required for appeals for donations to a specific person; and (4) charitable organizations

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must file a copy of a contract entered into with a commercial fundraiser prior to the fundraiser beginning solicitation of donations.

The boards of charitable organizations must review and accept an organization's financial report before it is filed with the Secretary of State (Secretary). If a financial report contains a material misrepresentation, the organization may be held liable and subject to fines.

The Secretary has the authority to develop educational programs for charitable organizations, their board members, and the general public. In order to fund these programs, the Secretary is authorized to charge charitable organizations registration fees.

The Secretary has rulemaking authority to establish independent financial requirements for charitable organizations. These requirements must include, but are not limited to the following: (1) initial filing by all charitable organizations; and (2) financial reporting by charitable organizations with more than \$1 million in annual gross revenues. The Secretary may require charitable organizations with these larger gross revenues to have provided financial statements that are audited and prepared by an independent certified public accountant.

The Secretary is authorized to create a charitable advisory counsel to advise on issues relating to charitable organizations, including the educational needs of charitable organizations regarding fiduciary duties.

The Secretary of State is permitted to enter into reciprocal agreements with other states regarding charitable organizations and commercial fund raisers.

Churches and their integrated auxiliaries are not charitable organizations for purposes of this act and are not required to register with the Secretary.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Consumer Protection & Housing): Clarifies that churches are not considered charitable organizations under the act. Churches are still subject to three restrictions when soliciting donations from the public: (1) false or misleading statements made in connection with solicitation are prohibited; (2) commercial fund raisers hired must be registered with the Secretary of State; and (3) harassment or intimidation of potential donors is prohibited.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is the culmination of an extensive dialogue between the Secretary of State and the charitable organizations. The educational program component of the bill will reduce irresponsible acts by charity organizations by making board members aware of the law and of best practices. Charities' board members are often inexperienced and need education to understand regulations and best practices. The advisory counsel component will assist the Secretary of State in designing relevant

educational programs and determining helpful policy. The reporting and registration requirements are reasonable. This bill encourages financial transparency in charitable organizations without being too burdensome. The bill will help to ensure that charitable donations are actually used for charitable purposes. The Secretary of State will be able to administer its programs more easily under this bill. Internal streamlining is created by removing irrelevancies in the Charitable Solicitations Act and using plainer language.

Persons Testifying: PRO: Mike Ricchio, Shane Hamlin, Office of the Secretary of State; Jeffrey Even, Attorney General's Office; Dennis Smith, United Way; Carolyn Hojaboom, Moss Adams; Tom Rembiesa, Putnam Barber, Executive Alliance.